

## Message Text

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PAGE 01 CAIRO 01554 271416Z  
ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 NEAE-00 CIAE-00 DODE-00  
PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 AID-05 EB-08 CIEP-01 TRSE-00  
STR-04 OMB-01 CEA-01 COME-00 FRB-03 XMB-02 OPIC-03  
/103 W

-----271423Z 067745 /53

P 271254Z JAN 77

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 1045

INFO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY DOHA PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L CAIRO 1554

E.O. 11652: GDS

TAGS: USEGJC EAID

SUBJ: ASSISTANCE TO EGYPT: IMF AND IBRD

REF: (A) CAIRO 1421 (NOTAL), (B) CAIRO 1510 (NOTAL)

1. DELEGATIONS FROM BOTH IBRD AND IMF HAVE BEEN IN CAIRO FOR PAST SEVERAL DAYS, DISCUSSING ECONOMIC SITUATION WITH GOE OFFICIALS. PARTICULAR EMPHASIS HAS BEEN PLACED ON ONGOING RELATIONSHIPS WITH TWO ORGANIZATIONS, AND ON BASIS OUR MEETINGS WITH MEMBERS OF THE DELEGATIONS OUTLOOK IS FAIRLY PROMISING.

2. IMF. FUND REMAINS WILLING TO CONCLUDE A STANDBY WITH EGYPT IF AN AGREEMENT CAN BE REACHED ON THE MEASURES TO BE  
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TAKEN TO DEAL WITH AT LEAST A PORTION OF THE PROBLEMS. RIOTS WHICH FOLLOWED ANNOUNCEMENT OF THE BUDGET LAST WEEK HAVE FORCED GOE TO RECONSIDER SOME OF ITS EARLIER EFFORTS TO INSTITUTE REOFRMS, AND EXTENT TO WHICH IMF'S REQUIREMENTS CAN BE MET IS STILL KEY FACTOR.

3. FUND HAS SHOWN CONSIDERABLE FLEXIBILITY IN ADJUSTING

TO ALTERED CIRCUMSTANCES, AND REPS ARE HOPEFUL THAT ENOUGH CAN BE SALVAGED FROM REFORM PACKAGE TO MAKE AGREEMENT POSSIBLE. THEIR MEETINGS WITH ECONOMIC GROUP MINISTERS HAVE TAKEN PLACE IN CONSTRUCTIVE ATMOSPHERE AND THERE IS STILL A POSSIBILITY THAT SANDBY MAY BE CONCLUDED. LOCAL PRESS REPORTS, CARRIED BY WIRE SERVICES, HAVE TRANSLATED THIS INTO AN AGREEMENT, BUT IT SHOULD BE REMEMBERED THAT IMF PROCEDURES ARE LONG AND COMPLICATED, INVOLVING LETTERS OF COMMITMENT FROM COUNTRY CONCERNED, CIRCULATION OF THE PROPOSED ACTION TO MEMBER COUNTRIES, AND APPROVAL BY EXECUTIVE DIRECTORS IN WASHINGTON. NO ONE VISITING EGYPT IS EMPOWERED TO CONCLUDE AN AGREEMENT.

4. IBRD. LIKE TO FUND, BANK STANDS READY TO HELP. PARAMETERS OF ITS REQUIREMENTS ARE MORE LOOSELY STRUCTURED, HOWEVER, AND THEREFORE HAVE GREATER LIKELIHOOD OF BEING FULFILLED. KEY GOALS NOW ARE PREPARATION OF DOCUMENTATION NEEDED FROM EGYPTIANS IN ORDER TO MAKE MEETING OF CONSULTATIVE GROUP (CG) IN APRIL AS MEANINGFUL AS POSSIBLE. MOST SIGNIFICANT ELEMENT IS GOE'S GENERAL OUTLINE OF MEASURES IT INTENDS TO TAKE TO CORRECT COURSE OF THE ECONOMY SO THAT IMBALANCES (AND THEREFORE DONATIONS) WILL EVENTUALLY DISAPPEAR - OR AT LEAST BE REDUCED TO MORE MANAGEABLE PROPORTIONS.

5. COMMENT: BANK AND FUND REPS RECOGNIZE THAT SITUATION IS MORE DIFFICULT FOR SADAT REGIME THAN IT WAS SHORT TIME AGO. IT IS CLEAR THAT MATTERS WERE NOT HANDLED VERY ADROITLY, BUT THIS IS NOT A MATTER THAT IS ANY LONGER OF CONCERN. QUESTIONS NOW IS GOE'S PERCEPTION OF WHAT IT CAN DO --  
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OF IS WILLING TO DO -- TO DEAL WITH ITS PROBLEMS. IF THERE IS SUFFICIENT DISPLAY OF COURAGE, IMF STANDBY IS POSSIBLE (EXTENDED FUND FACILITY IS NO LONGER UNDER SERIOUS CONSIDERATION) ALTHOUGH IT WILL BE SOME WEEKS BEFORE ANYONE CAN BE SURE. NEW BUDGET WILL HAVE TO BE SUBMITTED TO AND APPROVED BY PEOPLES ASSEMBLY, AND THIS WILL PROBABLY NOT TAKE PLACE UNTIL ABOUT THE END OF FEBRUARY. CONSULTATIVE GROUP MEETING IS FAR MORE LIKELY, ASSUMING EGYPTIANS WILL HAVE A GOOD ENOUGH IDEA OF WHERE THEY ARE GOING TO PERMIT TELLING IBRD.  
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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
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**Original Handling Restrictions:** n/a  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 CAIRO 1421, 77 CAIRO 1510  
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**TAGS:** EAID, EG, USEGJC, IBRD, IMF  
**To:** STATE  
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**Review Markings:**  
Margaret P. Grafeld  
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